

HIGHLIGHTS OF THE FEDERAL DIRECT PARENT LOAN FOR UNDERGRADUATE STUDENTS (Federal Direct PLUS)

Understanding the Federal Direct PLUS Loan Program



The Federal Direct PLUS Loan Program is a popular federal financial aid resource that many find an attractive solution to help meet the cost of tuition and expenses at The Art Institutes schools.

Here are a few of the key attributes of the loan program. Additional information is available in our financial aid brochure or by contacting your school's Student Financial Aid Officers.

A BRIEF REVIEW

- The Federal Direct PLUS Loan is a LOW-INTEREST, FIXED-RATE loan with a 7.9% interest rate.
- The loan may be used to cover both direct and some indirect costs.
- Parents* of dependent students are eligible to apply.
- Parent borrowers need to be U.S. citizens or permanent residents and have a child enrolled at least half-time in an undergraduate program.
- Federal Direct PLUS Loans require a basic credit check, but are not based on income or assets and require no collateral. If there are minor credit issues, a parent can request to work directly with the Federal Direct PLUS Loan lender to resolve any issues.
- If for some reason a parent may not be approved for the loan, they may still receive a loan if they obtain an endorser (cosigner) who does not have adverse credit.
- If a parent applies but is not approved, the student will then be immediately eligible for the additional Unsubsidized Direct Loan that is usually only available to independent students.
- There are a variety of repayment plans available to parents.
- There are possible deferment and forbearance options due to health issues and unforeseen personal problems if the candidate qualifies.
- Parents should carefully read the Federal Direct PLUS Master Promissory Note (MPN) and disclosures for important information concerning their rights and responsibilities.

HOW IS THE FEDERAL DIRECT PLUS LOAN DIFFERENT FROM PRIVATE-LENDER ALTERNATIVE EDUCATIONAL LOANS?

- A Federal Direct PLUS Loan has a fixed rate of 7.9%. Some alternative loans have no interest rate caps, so rates may be higher and can potentially increase or decrease.
- Fees for the PLUS loan may be up to 4% with a possible 1.5% interest rebate, provided the borrower makes their first 12 full payments on time once the loan enters repayment.
- The credit review process for alternative loan approvals is more comprehensive than the Federal Direct PLUS process.
- Federal Direct PLUS Loans may allow the parent to borrow more than the direct cost of attendance to college (minus any other financial aid received). Alternative loan borrowing amounts may be limited.
- Because it is a federal loan, there are more deferment and forbearance options available with Federal Direct PLUS Loans. There are also death and disability benefits not usually available to alternative loan borrowers.

- Federal Direct PLUS Loans are eligible for the federal consolidation programs; alternative loan programs only allow consolidation through private programs, usually with higher interest rates than the federal program and with variable interest rates.
- Eligibility requirements are less restrictive for a Federal Direct PLUS Loan.

HOW DO I APPLY?

1. The first step is to complete the Free Application for Federal Student Aid (FAFSA). You can find it online at www.fafsa.gov.
2. The second step is to complete the Federal Direct PLUS Loan preapproval process. If you're approved, your next step is to complete the Federal Direct PLUS Loan Master Promissory Note.
3. After completing the preapproval process, notify the college's Student Financial Services office. Results and borrowing options will be discussed with you in your individual financial planning session.

Federal Direct PLUS Loan forms, promissory notes, and more information are available from Student Financial Services at your Art Institutes school.



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